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FISCAL IMPACT STATEMENT

LS 7695

BILL NUMBER: HB 1609

NOTE PREPARED: Jan 10, 2003

BILL AMENDED:

SUBJECT: Charitable Gaming.

FIRST AUTHOR: Rep. Whetstone

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill voids certain proposed rules concerning charity gaming. The bill eliminates the cap on the total prizes awarded for one pull tab, punchboard, or tip board game. The bill also increases the maximum single prize for one winning ticket in a pull tab, punchboard, or tip board game from \$300 to \$599.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: The bill voids several charity gaming rules proposed by the DOR on July 1, 2002. The impact of the rules on charity gaming is indeterminable. The rules being voided are as follows:

(1) The bill voids a rule establishing a new definition of a "member" of an organization conducting charity gaming. The rule provides a narrower definition of "member" for delineating those individuals who may work at an organization's charity gaming events. Under current statute, an event worker must be a member in good standing of the organization for at least 30 days at the time of the event. Under the rule, an individual must be (a) qualified for membership in the organization, (b) entitled to vote in the election of organization officers or board members, and (c) eligible for election as an organization officer or board member and to participate in determining organization policies. The individual also must be able to show continuous active participation in the organization's stated purpose or mission, including contribution of time, money, or talent to the organization and attendance at regular meetings.

(2) The bill voids rules that: (a) specify facility rent limits; (b) regulate the cost and conduct of charity gaming events, prizes, facility rent, advertising of events, game price limits, and participant age requirements;

(c) provide for charity gaming violations; and (d) establish a process for protesting DOR findings of charity gaming violations.

The bill also incorporates into statute the rules regarding (c) and (d) above as in effect on January 1, 2002.

Explanation of State Revenues: This bill could result in an indeterminable increase in revenue from the Charity Gaming License Fee and the Charity Gaming Excise Tax. The bill changes two prize value limits for pull tab, punchboard, and tip board games operated by licensed charitable organizations. Specifically, the bill eliminates the \$2,000 total prizes limit for a single pull tab, punchboard, or tip board game. In addition, the bill increases from \$300 to \$599 the limit for a single prize awarded for one winning ticket in a pull tab, punchboard, or tip board game. Since these changes could potentially increase the average and aggregate value of prizes awarded in these games, overall spending on pull tab, punchboard, and tip board games also might increase.

If overall play of these games does increase, it could potentially increase the gross revenue of licensed charitable gaming organizations. This would affect the Charity Gaming License Fee. This assumes that gross revenue from other charitable gaming doesn't decline as players spend more on pull tab, punchboard, and tip board games. The Charity Gaming License Fee is based on the total gross revenue earned from charity gaming by a licensed organization. The license fee can range from \$25 for organizations with less than \$15,000 in charity gaming gross revenue to \$25,000 for organizations with at least \$3.0 M in charity gaming gross revenue. In FY 2002, charity gaming events resulted in approximately \$583.1 M in gross revenue, with event expenses totaling about \$509.5 M. The net proceeds retained by the organizations conducting charity gaming totaled about \$73.6 M.

Increased play of pull tab, punchboard, and tip board games could lead to an increase in sales of these devices to licensed charitable gaming organizations. This could increase revenue from the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards. The tax is 10% of the wholesale price of these devices when sold to licensed charitable gaming organizations by a distributor or manufacturer. The Charity Gaming Excise Tax resulted in approximately \$1.6 M in revenue during FY 2002. License fee and excise tax revenue is deposited in the Charity Gaming Enforcement Fund to pay the charity gaming administrative costs incurred by the DOR. Revenue remaining in the Fund after payment of administrative costs is distributed quarterly to the Build Indiana Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: *Charity Gaming Annual Report, FY 2002*, Department of State Revenue.

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